

## Message Text

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PAGE 01 MANAMA 01300 101017Z  
ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 EB-08 CIAE-00 INR-10 NSAE-00  
/042 W

-----020578 111050Z /11

R 100930Z JUN 78  
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TO SECSTATE WASHDC 6265  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY ATHENS  
AMCONSUL DHAHRAN  
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AMEMBASSY KUWAIT  
AMEMBASSY MUSCAT  
USDOC WASHDC  
AMEMBASSY TEHRAN

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ATHENS FOR RTDO

E.O. 11652: N/A  
TAGS: ETEL, BA  
SUBJECT: BAHRAIN'S PURCHASE OF COMMUNICATIONS FACILITIES

1. THE GOB PURCHASE OF MAJOR SHARE OF BAHRAIN'S COMMUNICATIONS  
FACILITIES FROM U.K. GOVT-OWNED  
CABLE AND WIRELESS IS AGAIN AN  
ACTIVE ISSUE AFTER ALMOST TWO YEARS OF DESULTORY TALKS. JUNE 3  
ISSUE OF GULF WEEKLY MIRROR FRONT-PAGED STORY IN WHICH MINISTER  
OF TRANSPORTATION AND COMMUNICATIONS, EBRAHIM HUMAIDAN, SAID  
GOB WOULD ACQUIRE 50-60 PERCENT OF C&W AND THAT GOB HAD  
HIRED TWO AMERICAN TELECOMMUNICATIONS EXPERTS TO HELP GOB  
EVALUATE CGW ASSETS IN ORDER TO ESTABLISH COMPENSATION AS  
WELL AS TO ADVISE GOB ON FUTURE COMMUNICATIONS NEEDS. HE  
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WAS QUOTED AS SAYING THAT  
BAHRAIN'S FACILITIES ARE GOOD BUT  
GOB WANTED TO DO EVEN BETTER AND U.S. COMMUNICATIONS ARE THE  
BEST IN THE WORLD.

2. AMERICAN ADVISORS JOHN MVXSNSTVQSAND WILLIAM YANDELL,  
BOTH RETIRED SENIOR EXECUTIVES OF SOUTHEAST BELL, WERE QUOTED

AS STATING THAT C&W'S DOMESTIC COMPONENT, BAHRAIN TELEPHONES, WAS EASY TO ASSDFS, IT HAS ASSETS OF \$40 MILLION, BUT THE INTERNATIONAL COMPONENT WAS PROVING DIFFICULT TO EVALUATE. (COMMENT: THERE HAVE BEEN ALLEGATIONS, INCLUDING INFERENCES IN THE PRESS, THAT C&W HAS USED TRANSFER PRICING AND COSTING IN FAVOR OF THE U.K. PARENT.) MINISTRY ALSO QUOTED AS SAYING BAHRAIN'S TELECOMMUNICATIONS ARE TEN YEARS BEHIND IN TECHNOLOGY. STORY CARRIED REBUTTAL FROM C&W SPOKESMAN SAID THAT BAHRAIN IS "VERY MUCHNUN THE FOREFRONT".

3. MINISTER HUMAIDAN ALSO PUT C&W ISSUE IN TERMS OF A CURRENTLY SENSITIVE TOPIC HERE. BAHRAINIZATION. HE SAID THAT "EVEN THOUGH 90 PERCENT OF C&W IS STAFFED BY BAHRAINIS, THEY ARE MOSTLY AT THE LOWER LEVELS. WE HOPE TO DO SOMETHING ABOUT THAT". AN EARLIER STORY REPORTED THAT A SURVEY OF C&W'S TOP 34 JOBS REVEALED NO BAHRAINIS AND THAT ONLY NINE COULD BE FOUND HOLDING DOWN ANY OF THE TOP 95 JOBS. THE BAHRAINIZATION OF WHITE COLLAR JOBS IS A MAJOR GOAL OF GOB AND IT IS PRESSING, THROUGH ITS AMERICAN-STAFQED CIVIL SERVICE DIRECTORATE, TO PERMIT EXPATRIATES ONLY WHEN NO QUALIFIED BAHRAINIS IS AVAILABLE, AND THEN ONLY IF THE FIRM COMMITS ITSELF TO TRAINING A BAHRAINI COUNTERPART WITHIN AN AGREED LENGTH OF TIME. C&W HAS BEEN A PRIME TARGET OF THIS PROGRAM.

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4. COMMENT:. NATIONALIZATION OF COMMUNICATIONS FACILITIES IS TO BE EXPECTED IN DEVELOPING COUNTRIES BUT C&W PROBABLY COUL HAVE HELD ON LONGER HAD IT MANAGED ITS BAHRAIN MONOPOLY BETTER. IN ADDITION TO THE OPEN AND THUS FAR UNREFUTED CLAIMS OF TRANSFER PRICING AND COSTING, C&W HAS BEEN ACCUSED OF FAVORING EXPATRIATE WORKERS IN GENERAL AND, SPECIFICALLY, OF OVERLOADING ITS STAFF HERE WITH VICTIMS OF NATIONALIZATION ELSEWHERE AND WITH OFFICIALS FROM THE U.K. PARENT WHO WANTED A TAX-FREE TOUR IN THE SUN BEFORE RETIREMENT. GOB, HOWEVER, DID NOT HAVE THE COMMUNICATIONS EXPERTISE REALLY TO EVALUATE C&W'S PERFORMANCE UNTIL THE ARRIVAL IN OCTOBER 1977 OF MCKINSTRY AND YANDELL. THESE MEN, ONE A FINANCIAL EXPERT AND THE OTHER AN OPERATIONS EXPERT, WERE HIRED THROUGH THE CIVIL SERVICE DIRECTORATE. OVER THE MONTHS THEY HAVE TOLD US THAT BAHRAIN'S COMMUNICATIONS, ONCE THE BEST IN THE GULF, WERE IN DANGER OF BECOMING OBSOLETE. C&W HAD FALLEN MONTHS BEHIND IN TELEPHONE HOOK-UP AND HAD NO PLANS OR BUDGET TO REDUCE THE BACKLOG OF OVER 5,000 REQUESTS FOR TELEPHONES. ALSO, THEY FOUND MASSIVE REDUNDANCY IN STAFFING AND POOR PURCHASING AND STOCKING PROCEDURES. GOB IS VERY HAPPY WITH THEIR EFFORTS HERE; IN RECENT CONVERSATION WITH AMBASSADOR, CABINET MINISTER WHO OVERSEES SENIOR EXPATRIATE ADVISORS SAID ADDED

BENEFIT IS DISCOMFORT BEING CAUSED TO BRITISH EXPATS WHO HAD  
EXPTECTED TO RUN BAHRAIN FOREVER.

5. DIFFICULT TO PREDICT WHEN GOB WILL TAKE OVER MAJORITY  
SHARE OF C&W OPERATIONS HERE. BUT WE SUSPECT IT WILL BE SOON  
AND THAT GOB SPENDING PLANS FOR UPGRADING COMMUNICATIONS --  
SOME \$100 MILLION OVER NEXT FOUR YEARS -- WILL GIVE U.S.  
SUPVGIER OPPORTUNITIES THEY DID NOT HAVE HERE UNDER C&W'S  
MONOPLY.  
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## Message Attributes

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**Channel Indicators:** n/a  
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**Decaption Date:** 01 jan 1960  
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